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SIPDIS

DEPT FOR SCA/CEN, EEB/IFD/OMA - JULIA JACOBY

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SUBJECT: TAJIKISTAN - REPORT ON FISCAL TRANSPARENCY

REF: STATE 28885

11. (SBU) Following is post's response to reftel tasking:

1A. Is the central government expected to receive or is it already receiving U.S. foreign assistance funded using FY 09 funds?

Yes. Tajikistan receives U.S. technical assistance, but not direct financial support, through USAID funded programs. In addition, the United States provides assistance to the central government in counternarcotics and other law enforcement, border control, and to the Tajik military for equipment and training.

1B. Is the host country's budget publicly available?

The Government publishes the state budget once a year in a state-owned newspaper, "Sadoi Mardum." The information published lacks specifics and does not include information on defense and security expenditures. In theory, a person can request a copy of the Tajik State Budget from the Government, but in practice state agencies are reluctant to provide full (or any) information on their budgets. The state budget is not available on the internet.

1C. Are incomes and expenditures included in the publicly-available budget?

Yes they are included, but with few specifics.

1D. Post's assessment of the extent to which the publicly-available budget accurately reflects actual government incomes and expenditures:

In principle, the budget reflects actual government income and expenditure. However, endemic corruption and murky relationships between state-owned companies and offshore enterprises (which funnel profits back to Tajikistan for non-transparent projects like construction of presidential palaces or hydropower) means the budget does not accurately reflect actual profits from state-owned companies, or the totality of state spending.

12. (SBU) Comment: Transparency and accountability of government fiscal actions is poor in Tajikistan. Government efforts to improve this state of affairs have been inconsistent. The economy is based on commodity production (aluminum and cotton), with a high level of state ownership in key industries. International assistance has helped develop respect for principles of transparency and accountability, but the impact of these efforts has been uneven. Parliament does not exercise effective oversight of the budget, neither seriously examining and debating government budget plans, nor effectively overseeing budget execution.

13. (SBU) Comment continued: The World Bank, the United States, and other donors support a variety of programs to help Tajikistan improve fiscal planning, accountability and controls.

These programs focus on improving strategic planning, budget execution, and smoothing fiscal relations between different parts of the government at the local and national levels. In particular, in 2008, the government accepted an International Monetary Fund Staff Monitoring Program in response to a misreporting scandal. This program introduced greater capacity and transparency in monitoring the finances of state-owned companies, as well as improved accountability at the Central Bank. The International Monetary Fund judged the Tajik Government's performance under the Program to be sufficiently effective to warrant the reintroduction of lending. However, we expect that lack of commitment and understanding of fiscal reform at the top levels of government will continue to pose a serious challenge. End Comment.

JACOBSON